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Rural Poverty: Policy Options

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Discussion of rural poverty has tended to emphasize farm poverty at the expense of rural urban poverty. There are serious problems in measuring the former but the evidence suggests that there is a sizeable group of chronically poor farm people. Only the Rural Adjustment Scheme appears to have components specifically geared to poor farmers and it, together with some possible innovations, is discussed. The nature and extent of rural urban poverty and its comparative neglect is described and some policy initiatives, revolving mainly round existing institutions and services are presented.

1 The Two Rural Communities

Rural Australia has two distinct communities, the urban and the non-urban. The division between these two communities is highly observable and at once apparent in a geographical sense. The majority of rural Australians live in the urban community yet it is the minority community of farmers which dominates the rural image held by metropolitan Australians. The reasons for this are not difficult to determine. In the past, farmers have been much more important, economically, socially and culturally, than they are now. Similarly, in the past there have been many more farmers than there are now. In addition, farming is the focus of a very substantial portion of rural urban economic activity, and this is a fact of life which has not changed very much with the passage of the years.

The decline in the number of commercial farms has been accompanied by a rise in the reliance of those farms on the urban sector. Purchased inputs are a much more significant component of the farmers' total cost structure now than they were before World War II (Powell, 1974). Farming has become much more sophisticated and a very substantial proportion of rural urban economic activity is devoted to servicing this sophisticated industry through the provision of chemicals, fuel, machinery, skills and services. These economic links are strengthened by social and cultural links, not necessarily between the farmers and their business counterparts in the town, but between the employed labour force in the towns and the rural hinterland. Many of these people are no more than one generation removed from the farms where they or their parents constituted the employed labour force. It is fairly well known that, over recent decades, the employed rural labour force has declined to a greater extent than has the number of farmers (Powell, 1974). What is not so well understood is that many of these former farm employees settled in country towns rather than moving to metropolitan areas.

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An important reason for the identification of former farm employees with their former employers is that the relationship between a farmer and his employed help is typically closer and less hostile than that between employers and employees in other sectors of society. Former employees, though no longer directly dependent on the farms for a living, tend to retain a regard and respect for their former employers which causes them to reflect the values and beliefs of those former employers. These attitudes would, of course, be strengthened by the knowledge that, for many, the prosperity of their community is significantly influenced by the economic fortunes of the farmers of their hinterland.

Despite the fact that many farmers seem to treat rural towns as little better than trading posts, there are strong ties of economic self interest and cultural affinity between farmers and rural urban people. In most rural areas agriculture is the single largest industry and because of this and the economic ties and cultural affinity, farming and farmer attitudes dominate the perceptions of the rural sector held by metropolitan Australians and by government. Thus, in the eyes of many, rural policy is farm policy, rural problems are farm problems and, when it is discussed, rural poverty is farm poverty.

For these reasons we know more about farm poverty than we know about rural urban poverty. This is probably unfortunate.

The incidence of farm poverty may be important in Australia and there may be characteristics of farm poverty which merit special recognition and, in some instances, specific policy attention. It is also true that the nature of rural urban poverty is, in many ways, the same as metropolitan poverty. However, this paper will endeavour to explain how there are important ways in which rural poverty needs specific policy initiatives not only in the case of poor farmers but also in the case of poor non-farmers.

2 The Nature and Extent of Farm Poverty

Farm poverty is different to other forms of poverty mainly because it is difficult to measure. The other important features lie in the attitudes of small farmers and their apparent immobility in the face of stress.

Vincent (1976) has reviewed the nature of the various measurement problems as well as assessing the extent of farm poverty and some alternative policy measures. There are several problems of measurement and they are important, not just because they influence estimates of the extent of farm poverty, but also because they influence comprehension of the nature of farm poverty. This, in turn, has implications for policy prescriptions. The principal measurement problems are related to the problems posed by farmers in receipt of low cash income but owning assets, the perquisites of farm life, the non-family basis of reporting farm income, the non-cash benefits of the farming way of life, and the variability of farm income.

When people with assets receive low cash income they could, in principle, liquidate some of those assets or borrow using those assets as security. Consequently, the argument goes, the observed cash income should be topped up by some notional component corresponding to the net worth the family has in those assets. In this way, people classified as poor on the basis of their cash income may be removed from that category.

The proposition that some allowance should be made for the net worth of farmers is reasonable, if only because it does not seem acceptable to regard the cash income of someone working with his own capital as being equivalent to the same cash income of a person working with someone else's capital. However, the exact amount such an allowance should be is not clear. Circumstances vary greatly in agriculture and some assets are held to ensure the security of the farm business in an uncertain environment, and holding them may be a genuine cost to the farm family. In addition farmers accumulate wealth for intergenerational transfers to a greater extent than do non-farmers who may tend to invest in education and its less tangible product, human capital. Finally, the capacity of farmers to sell or borrow on their assets may actually be quite limited. On the other hand, the propensity of farmers to save and invest at the expense of consumption such that they may even "live poor and die rich" means that the mere examination of cash incomes understates real incomes.

Similarly farmers are often reputed to benefit from significant non-cash benefits from their occupation which are not available to those otherwise employed. These perquisites range from the consumption of farm produce, through certain tax benefits, to the rent free occupation of the farm dwelling. Doubtless these are relevant considerations, not all of which are difficult to measure. However, the pretence should not be maintained that the non-farming occupations are free of perquisites. Even the humblest of city dwellers has access to a range of services and aspects of life-style which are not so readily available to the farmer. The question is whether farmers enjoy net positive perquisites and this is not so easy to determine.

Coupled with consideration of perquisites are the various non-cash benefits which farmers are reputed to obtain from their way of life. There is every reason to think that many farm people obtain such benefits and, to the extent that they do, cash incomes understate total income. If these benefits are ignored then the welfare dimensions of an apparent poverty problem may be seriously overstated. Non-cash benefits gain particular significance in the case of those farmers who stay on in farming despite every indication that they would be better off out of the industry. For many such people the higher cash benefits outside agriculture are no compensation for the dislocation of lifestyle which is involved. For many city dwellers such drastic changes in lifestyle do not necessarily accompany changes in occupation.

The instability of the farming environment makes generalization about farm poverty difficult. The farm which will be poor in a low income year may move out of poverty in a good year. For this reason it is sensible to distinguish between chronic and temporary poverty. In an analysis of taxation data for a sample of Australian farmers, Vincent (1976) found evidence that much poverty is temporary and reflects the high variability of farm incomes. This fact suggests the need for short-term income support schemes of a self-terminating nature. However, acknowledgment must be made of the further fact that farmers are in a risky business, expect periods of low income and usually manage their assets so as to have the liquidity which would enable them to survive such periods. This raises the further suggestion that any short-term income relief scheme should be not only self-terminating but also have severe tests for eligibility, including restrictions on repeated access.

A review of the above measurement problems and of the available evidence led Vincent to conclude as follows:

“While legitimate doubts may be held concerning the actual number of farm families whose welfare is below socially acceptable standards, the evidence clearly points to a sizeable group whose incomes are chronically low and a larger group whose incomes are low in some years. Undoubtedly, financial hardship, either episodic or continuous, is experienced by many such families. The survey results confirm prior expectations that in Australian circumstances, farm poverty (as measured by relative income level) is more a product of the instability of agriculture than a chronic small farm problem (although a sizeable group of aged and sub-commercial farmers in chronic poverty were identified)” (Vincent, 1976, p. 112).

3 Farm Poverty and Alternative Policies

Nelson *et al* (1974), argue that the rural poor are not well represented in the Australian political system. In fact they even go so far as to refer to “. . . farm leaders whose vested interests lie in maintaining a poverty fringe to draw upon as a constant reminder of the apparent plight of all farmers” (Nelson *et al*, 1974, p. 156). While this lack of representation is probably greater in the case of the non-farm poor than the farm poor there does seem to be some basis for the generalization that many policies and policy proposals which receive the enthusiastic endorsement of farmer organizations and rationalization by them in terms of the plight of poor farmers would provide the least of their benefits to those poor farmers. In particular, schemes of output or input price subsidy (including low cost credit) are disproportionately beneficial to the bigger producers because they produce the most output and consume the most inputs.

Of the present galaxy of farm specific policies only one, the Rural Adjustment Scheme, could be said to have components which seem to be specifically calculated to help poor and small farmers and has components which operate directly on income rather than through the price system. This was not a scheme which was earnestly sought by the producer organizations, rather it was a child of the bureaucracy.

4 The Rural Adjustment Scheme

The Rural Adjustment Scheme was preceded in the sixties and early seventies by earlier schemes of dairy and fruitgrowing adjustment, of assistance to beef producers and of rural reconstruction. It largely represented a consolidation of the features of those earlier schemes and its characteristics are as summarized below. For a more comprehensive description and a survey of the earlier schemes see Threlfall (1977).

(i) Debt reconstruction—This is a form of assistance which is intended to help farmers who have sound prospects of viability in the long term but have exhausted their cash and credit resources and cannot meet their commitments.

Viable farms are those which have the potential to afford a commercial return and provide an acceptable minimum level of income for the farm family. The financial prospects of farms are very sensitive to equity levels and farms with equity ratios as low as 70 to 80 per cent may be at risk.

Debt reconstruction involves consolidation of a farmer's debt by the State rural assistance authority, lengthening the term of loan and probably lowering the interest rate. There can be no doubt that the lending terms are concessional as repayment periods can be up to 30 years and interest rates may be, at the discretion of the State authority, well below commercial rates.

In the early days of government involvement in adjustment, debt reconstruction was the dominant form of assistance but since 1978 farm build-up has increased in importance, a development which those who see the scheme as one intended to improve resource allocation would applaud.

(ii) Farm build-up—The purpose of this form of assistance is to help those farmers whose properties are too small to be viable to buy additional land or to sell out to adjoining landholders.

This provision of the scheme is regarded as a frontal attack on the small farm problem. The conditions attaching to these loans are the same as those attaching to debt reconstruction loans. Applicants are only successful if they can show that they are unable to obtain adequate finance from any other source and that the amalgamated property will be viable.

(iii) Farm improvement—This was an innovatory feature of the present scheme which recognized that farm firm size is not determined by land alone and that factors other than area might be barriers to viability. Such assistance is an adjunct to debt reconstruction and farm build-up and is intended for livestock purchase or property development. Once again the authority is the lender of last resort and the applicant must demonstrate that his current position is beyond his control. Similarly the loans also may have significant concessional elements.

(iv) Carry-on finance—This consists of funds provided for essential carry-on purposes in rural industries which are suffering a severe but short-term market downturn or similar difficulties but excluding natural disaster situations. Funding is shared equally by the States and the Commonwealth. The States are only required to repay to the Commonwealth half of the funds repaid by the farmers. Individual applicants are required to show prospects of long-term viability given market recovery. The loans are medium term at concessional rates of interest. The beef, dairy and wine industries have received this form of assistance.

(v) Rehabilitation—This assistance is intended to alleviate hardship in cases where farmers leave the industry. Sums of up to \$500 may be advanced. The loan can be converted to a grant at the discretion of the relevant authority. This is designed to prevent creditors from claiming money intended for rehabilitation. Eligible applicants have had their properties purchased for build-up or have been classified as being non-viable. They must also face the prospect of financial hardship on leaving the farm. Few farmers have taken advantage of this form of assistance.

(vi) Household support—The purpose is to assist non-viable farmers who cannot meet living expenses and need assistance to alleviate personal hardship while considering whether to adjust out of farming. It does not carry with it the compulsion to leave the farm but if the farmer does so within three years of receiving support then the amount provided becomes a grant. If he does not leave the farm the money is repayable with interest. Recipients must be assessed as non-viable, be suffering personal and family hardship and have

exhausted all other available sources of finance. The assistance given brings net household income to the level the family would receive were the farmer receiving unemployment benefits. Support is provided for a maximum of two years.

Household support does not appear to have been very widely used. Perhaps this is because farmers now have access to unemployment benefits which are available without the conditions, particularly those relating to re-payment, attaching to household support.

5 The Performance of the Rural Adjustment Scheme

Detailed information on the performance of the scheme and its predecessors can be obtained from Threlfall (1977) and Young (1978). The main features of the performance of the present scheme have been that farm build-up applications now represent slightly more than half of total applications and are in excess of debt reconstruction applications,¹ that other aspects of the scheme receive very little patronage and that the scheme and its predecessors may help less than 10 per cent (Richmond, 1976) of those who leave the industry. Table 1 is taken from Garrett (1978) and provides a summary of the performance of the scheme in New South Wales from January, 1977 to May, 1978. The average size of loan for farm build-up has been \$43,000. Expenditure on rural adjustment from 1971 to the end of June, 1978 was \$309m.

Table 1: *Applications Received and Approved for Various Categories of Assistance Through the Rural Adjustment Scheme in N.S.W. for Period 1st January, 1977 to 31st May, 1978.*

	Received	Approved	Approval Rate*
			Per cent
Debt reconstruction	347	97	35
Farm build-up	506	191	47
Farm improvement	58	10	23
Rehabilitation	23	18	78
Total	934	316	42.2
Household support	23	23	100
Carry-on Loans—			
Beef	250	198	83
Dairy	20	15	75
Wine	1

* References to only those cases actually considered by the Board to 31-5-78.

Source: (Garrett 1978).

6 Assessment of the Rural Adjustment Scheme

There is very little published review and criticism of the scheme and its predecessors. Of those that have appeared the contributions of the IAC in its report (Industries Assistance Commission, 1975) on the rural reconstruction

¹ The data on the use of funds for farm build-up and debt reconstruction suggest that the two move in opposed cycles. Farm build-up becomes more important in higher income years and debt reconstruction in lower income years.

reference, Heap (1978) and Richmond and Durbin (1977) are the most important. This lack of critical review could be due to a basic confusion over the welfare and efficiency aspects of the scheme and to the necessary confidentiality of so much of the work of the State adjustment authorities.² The latter problem makes detailed review by independent outsiders difficult, even with the best of goodwill on the part of the authorities.

The IAC made a number of recommendations on rural reconstruction and several of them have been accepted. However, other important recommendations were not implemented. Chief among these were the suggestion that a national authority should be established which would co-ordinate, monitor and evaluate the operation of the scheme; that the long term bond rate should be the basic rate of interest charged on loans; that the scheme should pay greater attention to non-financial aspects of adjustment assistance; and that the scheme be capable of recognizing area specific and/or industry specific adjustment.

Heap (1978) has made a range of criticisms some of which suggest that the non-acceptance of the above IAC recommendations was not a good idea. While welcoming the broadening of the scheme beyond mere debt reconstruction, he refers to a lack of clear guidelines relating to stated long term aims in assisting farmers and to vagueness of the lending criteria which leads to difficulty in clearly distinguishing between measures implemented on efficiency and welfare grounds. He also sees the need for an independent national monitoring body which could be objective, promote greater consistency between the States in aims and method, and operate a continuing review of the performance of the scheme.

Young (1978) points out that the Commonwealth Department of Primary Industry conducts a monitoring operation which measures the progress of the scheme on a cumulative monthly basis. Statistics classified by kind of assistance and industry group are provided by the States and collated by the Department. Young argues that a more ambitious monitoring scheme based on following the progress of clients would be uneconomic. One can only agree with that but the IAC probably did not intend the national body to conduct such detailed evaluation and Heap certainly does not intend it. The case for a national monitoring agency is still open and has justification. An effective agency which does not impune State sovereignty or cost too much seems possible.

Heap does not dwell on the non-financial aspects of adjustment but, in referring to the probable inadequacy of the level of rehabilitation assistance, he draws attention to the problems of those farmers who are classified as non-viable by the authority. Many of these people are poor. Others, though commanding significant net worth, will have serious problems of cash flow. Most of these people stay on the farm to which they typically have a strong attachment. Many of them are elderly and have low opportunity costs and leaving the industry is difficult, particularly as it also means leaving home,

² In addition it would be difficult to determine how much adjustment occurs as a result of the scheme. On paper it seems to have been marginal but it may have contributed to adjustment over and above mere financial activity by setting a suitable psychological environment. On the other hand, the scheme may have hindered adjustment by distorting the land market or by helping to create supportive psychological encouragement for marginal farmers to stay in the industry.

community and a cultural environment in which they feel comfortable. Kerridge (1978) shows that the attachment to land is particularly strong among the elderly and among small farmers. Many non-viable farmers are elderly and operate small businesses.

The reaction of many non-viable farmers, on being rejected, is to retreat into their farm and home in a demoralized, resentful condition. For them and others, the immediate problems are not financial but are the need for communication, encouragement and guidance. That is, non-viable farmers are like other poor people but they live on farms.

In recognizing the problems of the non-viable farmers and others in financial difficulty the IAC made its recommendations on paying greater attention to the non-financial aspects of adjustment. In particular, reference was made to the need to provide counselling services to farm families. The recommendation was not accepted by the Federal government. The current situation is that there is considerable uncertainty as to where lie the responsibilities for providing helping services to poor farm families. Staff of the State departments of agriculture tend to be divided on the question. Some argue, with justification, that providing support for poor families, a time consuming task, should not divert them from their traditional extension role (Kennedy, 1977). Nevertheless, in South Australia, the Department of Agriculture and Fisheries is understood to have accepted responsibility for providing some counselling services. It is fair to say that other State departments of agriculture now have more understanding of and sympathy with the problems of poor farm families than was the case a decade ago. For their part the conventional welfare services are in the main not geared to the task of catering for the needs peculiar to farm families (Kellogg Rural Adjustment Unit, 1977a).

Richmond and Durbin (1977) develop the theme of non-financial aspects of adjustment further. They point out that the present scheme includes some important innovations such as carry-on finance and household relief in respect of adjustment but that, in the broad sense, the rural adjustment policy area covers a mix of on-farm and off-farm measures ranging from the conventional farm and farmer oriented financial measures to "non-financial" measures such as counselling, vocational guidance and decentralization. They argue that recognition of such a broad range of adjustment measures leads to consideration of the range of agencies involved in providing them and the lack of co-ordination between them. They call for the creation, in New South Wales, of a Rural Adjustment Advisory Council which would have the power to promote the desirable co-ordination and which could promote research into the trade-offs which might be possible between the different measures of assistance. Simpson (1978) attacks their ideas but to my mind the proposal is still in fairly good shape.

This proposal by Richmond and Durbin to broaden the range of measures which are considered to be relevant to adjustment gains greater significance when tied into the IAC recommendation for area specific and/or industry specific adjustment. Rural communities tend to be single industry communities and a high incidence of farm financial trouble implies problems for the towns and villages and, potentially, for the regional infrastructure. Rural adjustment is also urban adjustment, particularly small urban (Jensen, 1977). A broadly constituted rural adjustment scheme could encompass, not only the measures discussed above, but also the provision of welfare education and community

development services. The line would have to be drawn somewhere but there is strong evidence (Kellogg Rural Adjustment Unit, 1977*b*) that there is considerable scope for including a wider range of measures than presently exists without hitting that line.

The motivations for the creation of the Rural Adjustment Scheme were doubtless a mixture of concern for the efficiency of the industry and concern for the welfare of farm people. Such a mixture makes evaluation of the scheme difficult and, as has been indicated, this no doubt explains some of the confusion in operation commented upon by those such as Heap. Edwards (1978) has endeavoured to assess the significance of the possible efficiency justification of the Scheme and finds them to be fallacious, slight or calling for other measures, such as reform of the capital market. This sort of reasoning has led to the conclusion that the main, and perhaps only, sustainable justification of the Scheme is equity. If this is the case then the Scheme is not an efficient policy instrument, having too much emphasis on lender of last resort activities calculated to retain marginal farmers in the industry and insufficient emphasis on important welfare options of an individual, sectoral, regional and community nature. Some of these options are referred to above and some others are now considered.

A number of policies intended to relieve the situation of the farm poor have been suggested in recent years. Most of them were prompted by the Commission of Inquiry into Poverty (1974 and 1975*a*) and are discussed in greater or lesser detail in the relevant commissioned reports.

Chief among them are self-financing annuities, flexible farm credit arrangements, negative income taxes and short term income maintenance. The Poverty Commission (1975*b*) itself proposed a guaranteed income scheme. In another context a system of income equalization deposits was introduced in 1976 following suggestions in the Green Paper (Harris *et al.*, 1974) and recommendations by the Industries Assistance Commission (1975).

Sexton and Duffus (1977) discuss annuities in detail. There are several variants but the basic arrangement is that the farmer sells his property on the forward market in exchange for an annuity which is recovered at his time of death. In this way farmers, particularly the elderly, can consume their assets during their lifetime. Sexton and Duffus show how this can make a significant impact on the number of poor farmers without causing a mass short-term exodus from the land. Upon death of the farmer the mortgagee assumes title to the land and desirable farm restructuring can take place. Sexton and Duffus review a number of difficulties with such a scheme and conclude that it is likely to be of some limited value, perhaps in conjunction with the rural reconstruction programme. Barton (1978) explains why such annuities are not currently offered by Life Offices and suggest that even after the introduction of some reforms, particularly the classification of annuities as superannuation business under the Act, such business may not be attractive to the Offices. She also sees a role for annuity schemes in the Rural Reconstruction Scheme. A cautionary observation is that the very factors which encourage farmers to accumulate assets as they do could cause them to oppose the consumption of those assets through an annuity scheme.

Flexible farm credit arrangements and income equalization deposits are both calculated to smooth cash flows. Both strategems should be viewed primarily as income stabilizing devices which would be of no use in the case of chronic poverty but would be of some value in the case of short term poverty. The former policy is not a reality and presumably some changes would be necessary to make it attractive to the present lending system. The latter policy is a reality and its superiority over the intelligent manipulation of cash reserves is not clear but might be significant in the case of the farmer who is not a skilled off-farm investor.

Negative income taxation, which involves payments to income earners which rise from zero at some maximum taxable income threshold, have great appeal on administrative and equity grounds. However, there are basic problems with such schemes in the case of farmers, mainly resulting from the problems of income measurement discussed above.

The Poverty Inquiry's guaranteed minimum income scheme, involving a guaranteed income payment to all taxpayers which is added to conventional income for tax purposes, avoids some of these problems by virtue of its simplicity. While the scheme has great intuitive appeal the Inquiry suggested further investigation of the proposal. Vincent (1976) found that implementation of the Inquiry suggestion, with a proportional tax of about 40 per cent and a minimum income guarantee of about 62 per cent of the poverty line, improved farm income distributions but also lowered mean incomes (that is, farmers paid more tax under the scheme than is currently the case). This could lower the political palatability of the scheme but further investigation does seem warranted.

The short-term income maintenance proposal (Commission of Inquiry into Poverty, 1975a, p. 130) was aimed at the situation of temporary farm poverty. Some features of the scheme are recognizable in the component of the present rural adjustment scheme.

In summary, none of the farm poverty schemes, present or proposed, is without its problems. Perhaps this is to be expected and policy makers should expect to have to choose the least flawed among the alternatives available. In this respect the guaranteed income scheme still has appeal because it promises to substitute for some existing *ad hoc* poverty measures (in the medical, educational and welfare fields) and does not discriminate between taxpaying sectors. The close interrelationship between the family and the farm business and the existence of assets means that few farm poverty schemes are free from possible abuse and from the fact that schemes, particularly those of a farm specific nature, tend to encourage the retention of poor, non-viable and possibly inefficient farms in the industry. Abuse can be reduced by vigilance and intelligent administration while the preservation of businesses which should not exist can be minimized by building self-terminating characteristics into farm specific schemes where possible.

7 Non-Farm Rural Poverty and Some General Considerations

On turning to the non-farm rural poor the problem becomes much more amorphous. The increasing importance of part-time farming aside, poor farmers tend to be much more distinguishable from the bulk of poor Australians than are poor non-farmer rural dwellers. The point has already been made that the welfare problems are much the same whether you are in Wagga Wagga

or Blacktown (De Maria, 1977). However, deeper thought does indicate the need for some distinctions to be drawn. Individually, rural poor people, farm or non-farm, are similar to urban poor people. What sets them apart is their geographical location, their social and cultural milieu and, in the case of farmers, their ownership of assets.

The report of the Poverty Inquiry displayed considerable concern for non-farm rural poverty and in so doing drew attention to the comparative neglect of this area compared with the farm poor. At the time of the Inquiry the relative incidence of poverty was highest in rural areas. The present boom in farm incomes notwithstanding, there seems to be no reason to think that the situation will have changed markedly over the last four years.

The Inquiry indicated that one reason for this higher incidence of poverty in rural areas was the large number of people and families with characteristics which put them at risk of poverty. There was a marginally higher proportion of aged people and a markedly higher incidence of large families in rural areas. In addition there was a higher incidence of unemployment, a higher proportion of which was of long duration, than was the case in urban areas. There is no reason to think that any of these things would have changed and, of course, the employment situation has deteriorated dramatically. The Inquiry found that even more important than the foregoing were the low incomes among working people in rural areas with the incidence of poverty being higher among rural labourers and their families than among any other occupation groups.

Employment opportunities in rural areas are lower proportionally than elsewhere, the range of vacancies is limited while structural change in agriculture continually feeds more unskilled people onto the rural labour market. The rural labour force tends to be less educated, trained and skilled. Its mobility is restricted by distance and the low value of its real estate. The picture is a dismal one and suggests a chronically disadvantaged group in society which is largely neglected because it is "physically invisible to the mass of society" (Commission of Inquiry into Poverty, 1974).

The Poverty Inquiry recommended the redistribution of employment opportunities away from metropolitan areas, the provision of relocation assistance and improved retraining and educational opportunities for rural youth. In addition an improvement in wage rates and conditions for rural workers was recommended. The problems of the unemployed could also be tackled in the short run by more attention to counselling, outreach operations by the relevant welfare agencies and the provision of greater assistance to people who are semi-literate and not very articulate.

Given this scenario of poverty and disadvantage the welfare service network of the rural community assumes particular importance and its ability to discharge its role should be assessed. A truly comprehensive assessment remains to be done but every indication is that the picture which will emerge will not be a particularly good one.

To begin with, services such as health, welfare, education, communication and transport are thinly spread. Roads and cars are vital, particularly in the smaller rural communities which rely on remote regional centres for all but the most common of everyday services. Often the roads are poor while, for many of the disadvantaged, car ownership is a burden and perhaps a hazard. Once again, out of necessity, the personnel providing services are insufficient and sometimes inadequate (e.g., use of policemen as surrogate social workers),

while the services which are provided are at the same time insufficiently diverse and poorly co-ordinated. Local government, as recommended by the Poverty Inquiry, could and should be central to the provision of services but, in many rural shires, there is no interest among the politically potent to assume a greater role and, where there is interest, the economic base is inadequate to support such new initiatives. In fact, the suggestion has been made that the financial situation of many rural local government bodies is such that, as they devote a greater and greater proportion of their services to the maintenance of the basic infrastructure of their community, they are in increasing danger of losing their vitality and their stability as governments which are close to, visible to, and accountable to local people (Kellogg Rural Adjustment Unit, 1979).

Finally, in relation to the provision of rural welfare services, attention should be paid to the role and performance of voluntary workers in service delivery. Such workers are seen as being essential to effective service delivery at the point of contact with the client (Kellogg Rural Adjustment Unit, 1977*b*). Another reason for them assuming central importance in the rural context is that professional people are likely to be scarce and their important back-up role may not be available to an adequate extent. This places an additional burden on the voluntary worker. It also probably calls for the greater involvement of a variety of officials, at least as agents. Such officials would include local government officers, community health workers, post office workers and bank officials. They should not include policemen because many of the rural poor do not see policemen as natural allies. For voluntary workers and such officials to provide service delivery which is comparable to that available in metropolitan and larger provincial centres, some training should be provided and particular attention paid to co-ordination of their efforts. In addition these people should be supported by an adequate outreach service of itinerant health, welfare workers and the like.

8 Conclusion

Rural poverty, both farm and non-farm, has characteristics which call for distinct policy initiatives. Such an initiative has been taken with the development of the Rural Adjustment Scheme but, apart from that, action elsewhere, particularly in relation to non-farm poverty, is sadly lacking. It is now five years since the Poverty Inquiry report appeared yet the message which it contained appears to have had very little impact on policy with regard to rural poverty. The National Committee of Inquiry of the ALP has indicated some awareness of the problem (ALP Committee of Inquiry, 1978) but even it has no specific policy recommendations to offer. Perhaps more remains to be done in terms of defining the nature of the rural poverty problems, acquainting the community at large with them and identifying suitable policy initiatives.

In this paper a distinction has been drawn between farm and non-farm poverty. In the case of the former, the distinctive features are the problems of measurement with its related problems of asset ownership, perquisites and psychic income, and the extent of short-term poverty. The Rural Adjustment Scheme has many features aimed to boost the incomes of poor farmers or to help their retraining and relocation. However, the scheme concentrates, perhaps to an excessive extent, on lender of last resort activities which might be more likely to perpetuate rather than to solve the marginal farm problem.

Given the current employment situation and outlook for the national economy, solutions to the farm poverty problem which involve moving people off farms look less attractive than when the economy is working at capacity. Schemes of relocation and retraining need to be geared to the perceived needs of society and so need to be coupled with such programmes of manpower planning and structural change as may come about. In the short-run perhaps some attention could be given to the scope for the introduction of farm annuity provisions in the present Rural Adjustment Scheme. Other possible reforms in the scheme are discussed in the paper.

The differences between non-farm rural and metropolitan poverty are more areas of degree and accessibility. Basic characteristics predisposing toward chronic poverty seem to be relatively more pronounced in rural areas while the various services tend to be less accessible and often of insufficient quality. Particular policy initiatives are needed to overcome these problems of accessibility and to improve quality where this is defensible. Complete parity with metropolitan standards will not always be sustainable but the evidence suggests that some movement toward parity is justified.

Discussion of rural poverty, as with discussion of other forms of poverty, is characterized by calls for better problem definition, more co-ordination, less bureaucracy, and greater emphasis on better service delivery. The special features of rural poverty call for particular action even within this context. Thus even if there were moves in the above directions in the total poverty front, efforts should be made not to lose sight of the problems of the rural community because to do so would leave many of the problems discussed in this paper unresolved.

One way of ensuring appropriate attention to rural poverty problems would be to create a Rural Poverty Commission charged with problem identification and service co-ordination for both the farm and non-farm sectors. Such a Commission need not be large, particularly if local government were to assume the co-ordinating role which many would like to see it assume. Its location is another matter. Probably there should be a Commission in each State each with some means of linking into the Federal sphere. Ideally it should be independent of any of the existing special purpose service agencies but its future is uncertain if it is not so placed and if those various large bureaucratic whales react to the threat, real or otherwise, which this new minnow poses to their territory.

Each Commission would deal with education, health, welfare, employment, rural adjustment, communications and transport among other things. It would be a co-ordinator and liaising body, not an executive agency. Its job would be much easier if a minimum income scheme was found to be practicable and was introduced, for this would at once reduce the severity and range of the problems involved.

There are strong reasons for pessimism concerning future rural poverty policy. As indicated at the beginning of this paper, the conservatism on such matters which characterizes the farm community permeates rural society generally. There appears to be little political mileage in the serious rural poverty problems which exist, and it remains to be seen whether the pioneering work initiated by the Poverty Inquiry will lead to an earnest effort to come to grips with what is a serious but largely hidden problem in Australian society.

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